

ROCK RIVER TOWNSHIP, MICHIGAN

FINANCIAL STATEMENTS

For the Year Ended March 31, 2005

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Rock River	County Alger
Audit Date 3/31/05	Opinion Date 5/25/05	Date Accountant Report Submitted to State: 6/30/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Anderson, Tackman & Co, PLLC			
Street Address 102 W. Washington St., Suite 109	City Marquette	State MI	ZIP 49855
Accountant Signature Michael A. [Signature] CPA			

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ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

Honorable Supervisor and Members of
the Township Board of Trustees
Rock River Township, Michigan
P.O. Box 195
Chatham, Michigan 49816

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Rock River Township, Michigan, as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Rock River Township, Michigan as of March 31, 2005, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information on pages 5 through 9 and 27 and 28 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Honorable Supervisor and Members of
the Township Board of Trustees
Rock River Township, Michigan

In accordance with *Government Auditing Standards*, we have also issued a separate report to management dated May 25, 2005 on our consideration of the Rock River Township, Michigan's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Rock River Township, Michigan's basic financial statements. The combining and individual fund statements and schedules as listed in the accompanying table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the Rock River Township, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, based on our audit and the report of the other auditors, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

May 25, 2005

Township of Rock River, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the Rock River Township's financial performance provides an overview of the Township's financial activities for the year ended March 31, 2005. Please read it in conjunction with the financial statements, which begin on page 10.

FINANCIAL HIGHLIGHTS

- Net assets for the Township as a whole decreased by (\$4,893) or 1 percent as a result of this year's operations.
- During the year, the Township had expenses for governmental activities that were \$188,970.
- The General Fund reported a net fund balance of \$190,392 with a (\$1,637) decrease for the current year. This was \$261 lower than the forecasted decrease of (\$1,376).

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 10 and 11) provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements start on page 12. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for the future spending. Fund financial statements also report the Township's operations in more detail than the government-wide statements by providing information about the Township's most significant funds. The remaining statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside the government.

Reporting the Township as a Whole

Our analysis of the Township as a whole begins on page 6. One of the most important questions asked about the Township's finances is "Is the Township as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Township's *net assets* and changes in them. You can think of the Township's net assets - the difference between assets and liabilities - as one way to measure the Township's financial health, or *financial position*. Over time, *increases or decreases* in the Township's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Township's patron base and the condition of the Township's capital assets, to assess the *overall financial health* of the Township.

In the Statement of Net Assets and the Statement of Activities, we divide the Township into two kinds of activities:

- **Governmental Activities** – Most of the Township's basic services are reported here, including the legislative, elections, public safety, public works, recreation and culture, community and economic development and general services and administration. Property taxes, charges for services and state sources fund most of these activities.
- **Business-Type Activities** – The Township charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Township has no business-type activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Reporting the Township's Most Significant Funds

Our analysis of the Township's major funds begins on page 8. The fund financial statements begin on page 12 and provide detailed information on the most significant funds – not the Township as a whole. Some funds are required to be established by State law and by bond covenants. However, the Township Board establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using taxes, grants, and other money. The Township's two kinds of funds - *governmental* and *proprietary* - use different accounting approaches.

- *Governmental funds* – Most of the Township's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed *short-term* view of the Township's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and Statement of Activities) and governmental *funds* in a reconciliation which follows the fund financial statements.
- *Proprietary funds* – When the Township charges customers for the services it provides – whether to outside customers or to other units of the Township – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the Township's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

The Township as Trustee

The Township is the trustee, or fiduciary, for assets that – because of a trust arrangement – can be used only for the trust beneficiaries. All of the Township's fiduciary activities are reported in separate Statements of Fiduciary Net Assets on page 16. We exclude these activities from the Township's other financial statements because the Township cannot use these assets to finance its operations.

The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The Township as a Whole

Table I provides a summary of the Township's net assets as of March 31, 2005 and 2004.

Table 1		
Net Assets		
	Governmental Activities - 2005	Governmental Activities - 2004
Current and other assets	\$218,521	\$210,045
Capital assets, net	110,614	135,964
Total Assets	329,135	346,009

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

	Governmental Activities - 2005	Governmental Activities - 2004
Current liabilities	\$1,360	\$13,341
Noncurrent liabilities	-	-
Total Liabilities	1,360	13,341
Net Assets:		
Invested in capital assets, net of related debt	110,614	124,189
Restricted	-	-
Unrestricted (deficit)	217,161	208,479
Total Net Assets	\$327,775	\$332,668

Net assets of the Township's governmental activities stood at \$327,775. *Unrestricted* net assets—the part of net assets that could be used to finance day-to-day activities without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$217,161.

The \$217,161 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the Township as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal years ended 2005 and 2004.

Table 2
Change in Net Assets

	Governmental Activities - 2005	Governmental Activities - 2004
Revenues		
Program Revenues:		
Charges for services	\$14,795	\$21,070
Operating grants & contributions	26,927	
General Revenues:		
Property taxes	62,386	54,650
State Sources	68,696	86,096
Interest and Miscellaneous	11,273	4,181
Total Revenues	184,077	165,997
Program Expenses:		
Legislative	5,898	5,022
Elections	4,190	-
General Services and Administration	51,309	50,585
Public Safety	33,179	49,739
Public Works	5,690	4,677
Community & Economic Development	7,410	3,801
Recreation and Culture	15,709	22,761
Other	65,585	23,067
Total Expenses	188,970	159,652
Increase (decrease) in net assets	(4,893)	6,345
Net assets, beginning	332,668	326,323
Net Assets, Ending	\$327,775	\$332,668

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

The Township's total revenues were \$184,077. The total cost of all programs and services was \$188,970, leaving a decrease in net assets of (\$4,893). Our analysis below considers the operations of governmental activities:

Governmental Activities

The net assets of the Township's governmental activities decreased (\$4,893) for the year ended March 31, 2005.

The governmental fund had an increase of \$8,682, then had depreciation expense of \$25,350, plus a reclassification of loan principle of \$11,775.

THE TOWNSHIP'S FUNDS

As the Township completed the year, its governmental funds (as presented in the balance sheet on page 12 reported a *combined* fund balance of \$217,161 an increase of \$8,682 from the beginning of the year.

The majority of the net income was due to the fact that we paid off the fire truck loan during the year.

General Fund Budgetary Highlights

Over the course of the year, the Township Board revised the budget a few times.

We adjusted our revenue and expenses to reflect the decrease in State Revenue Sharing and to adjust for immaterial differences throughout the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2005, the Township had \$110,614 invested in a variety of capital assets including land, buildings, and other equipment. (See table 3 below)

Table 3
Capital Assets at Year-End (Net of Depreciation)

	Governmental Activities - 2005	Governmental Activities - 2004
Land	\$ 41,500	\$ 41,500
Buildings and improvements	44,446	47,314
Equipment and furnishings	24,668	47,150
	<u>\$110,614</u>	<u>\$135,964</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Debt

At year-end, the Township had \$0 in bonds and notes outstanding as depicted in Table 4 below.

Table 4 Outstanding Debt at Year-End		
	Governmental Activities - 2005	Governmental Activities - 2004
Note Payable - Fire Truck	<u>\$ -</u>	<u>\$ 11,775</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The differences that we anticipated for the March 31, 2006 year end are a 10% decrease in State Revenue Sharing. This will be offset by a 10% decrease in expenses. We are going to purchase a new mower for the cemetery. We are also planning to do renovations to the dining area of the Township Hall.

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Rock River Township, P.O. Box 195, Chatham, Michigan, 49816.

Township of Rock River, Michigan

STATEMENT OF NET ASSETS

March 31, 2005

	Primary Government	
	Governmental	
	Activities	Total
ASSETS		
Current Assets:		
Cash and investments	\$ 194,236	\$ 194,236
Cash and investments - restricted	-	-
Receivables (net)	24,285	24,285
TOTAL CURRENT ASSETS	218,521	218,521
Non-current assets:		
Land and construction in progress	41,500	41,500
Other capital assets	363,414	363,414
Accumulated depreciation	(294,300)	(294,300)
Total Capital Assets	110,614	110,614
TOTAL NON-CURRENT ASSETS	110,614	110,614
TOTAL ASSETS	329,135	329,135
LIABILITIES:		
Current Liabilities:		
Accounts payable	-	-
Accrued liabilities	1,360	1,360
Deferred revenue	-	-
Current portion of loans payable	-	-
Other current liabilities	-	-
TOTAL CURRENT LIABILITIES	1,360	1,360
Non-current Liabilities:		
Loans payable	-	-
TOTAL NON-CURRENT LIABILITIES	-	-
TOTAL LIABILITIES	1,360	1,360
NET ASSETS		
Invested in capital assets net of related debt	110,614	110,614
Restricted for:		
Debt Service	-	-
Unrestricted	217,161	217,161
TOTAL NET ASSETS	\$ 327,775	\$ 327,775

The accompanying notes are an integral part of these financial statements.

Township of Rock River, Michigan

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended March 31, 2005

Function / Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total
Primary Government:					
Governmental Activities:					
Legislative	\$ 5,898	\$ -	-	\$ -	\$ (5,898)
Elections	4,190	-	-	-	(4,190)
General services and administration	51,309	-	-	-	(51,309)
Public safety	33,179	440	26,927	-	(5,812)
Public works	5,690	-	-	-	(5,690)
Community and economic development	7,410	500	-	-	(6,910)
Recreation and culture	15,709	13,855	-	-	(1,854)
Other	65,585	-	-	-	(65,585)
Total Governmental Activities	188,970	14,795	26,927	-	(147,248)
TOTAL PRIMARY GOVERNMENT	\$ 188,970	\$ 14,795	\$ 26,927	\$ -	\$ (147,248)

General Revenues:		
Taxes	62,386	62,386
Unrestricted State sources	68,696	68,696
Interest and investment earnings	7,334	7,334
Miscellaneous	3,939	3,939
Transfers	-	-
TOTAL GENERAL REVENUES AND TRANSFERS	142,355	142,355
CHANGE IN NET ASSETS	(4,893)	(4,893)
Net assets, beginning of year	332,668	332,668
NET ASSETS, END OF YEAR	\$ 327,775	\$ 327,775

The accompanying notes are an integral part of these financial statements.

Township of Rock River, Michigan

GOVERNMENTAL FUNDS

BALANCE SHEET

March 31, 2005

	General Fund	Fire Fund	Total Governmental Funds
ASSETS			
Cash and investments	\$ 171,021	\$ 23,215	\$ 194,236
Receivables	15,889	-	15,889
Taxes receivable	4,076	3,554	7,630
Due from other funds	766	-	766
TOTAL ASSETS	\$ 191,752	\$ 26,769	\$ 218,521
LIABILITIES AND FUND BALANCE			
LIABILITIES:			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	-	-
Accrued payroll and related	1,360	-	1,360
Deferred revenue	-	-	-
TOTAL LIABILITIES	1,360	-	1,360
FUND BALANCE:			
Reserved for:			
Capital outlay	-	-	-
Unreserved, reported in:			
General Fund	190,392	-	190,392
Fire Fund	-	26,769	26,769
TOTAL FUND BALANCE	190,392	26,769	217,161
TOTAL LIABILITIES AND FUND BALANCE	\$ 191,752	\$ 26,769	\$ 218,521

The accompanying notes are an integral part of these financial statements.

Township of Rock River, Michigan

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS**

March 31, 2005

Total Fund Balances for Governmental Funds	\$ 217,161
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*Amounts reported for governmental activities in the statement
of net assets are different because:*

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds

<u>110,614</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES

<u><u>\$ 327,775</u></u>

The accompanying notes are an integral part of these financial statements.

Township of Rock River, Michigan

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Fiscal Year Ended March 31, 2005

	General Fund	Fire Fund	Total Governmental Funds
REVENUES:			
Taxes	\$ 39,361	\$ 23,025	\$ 62,386
Licenses and permits	-	-	-
State sources	69,136	26,927	96,063
Charges for services	14,355	-	14,355
Interest	7,107	227	7,334
Other	3,939	-	3,939
TOTAL REVENUES	133,898	50,179	184,077
EXPENDITURES:			
Current operations:			
Legislative	5,898	-	5,898
Elections	4,190	-	4,190
General services and administration	50,069	-	50,069
Public safety	23,125	-	23,125
Public works	5,690	-	5,690
Community and economic development	7,410	-	7,410
Recreation and culture	13,428	-	13,428
Other	25,725	-	25,725
Capital outlay	-	27,606	27,606
Debt service	-	12,254	12,254
TOTAL EXPENDITURES	135,535	39,860	175,395
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,637)	10,319	8,682
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
Transfers (out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
CHANGE IN FUND BALANCE	(1,637)	10,319	8,682
Fund balance, beginning of year	192,029	16,450	208,479
FUND BALANCE, END OF YEAR	\$ 190,392	\$ 26,769	\$ 217,161

The accompanying notes are an integral part of these financial statements.

Township of Rock River, Michigan

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the Fiscal Year Ended March 31, 2005

Net Change in Fund Balances - Total Governmental Funds

\$ 8,682

*Amounts reported for governmental activities in the statement
of activities are different because:*

Governmental funds report capital outlays as expenditures. However,
in the statement of activities, the cost of those assets is allocated
over their estimated useful lives as depreciation expense. This is
the amount by which capital outlays exceeded depreciation in the
current period.

Capital outlays

\$ -

Depreciation expense

(25,350)

(25,350)

Repayment of loan principal is an expenditure in the governmental
funds but the repayment reduces long-term liabilities in the statement
of net assets.

11,775

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ (4,893)

The accompanying notes are an integral part of these financial statements.

Township of Rock River, Michigan

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

March 31, 2005

	<u>Agency Funds</u>
ASSETS:	
Cash and investments	\$ 766
TOTAL ASSETS	<u>\$ 766</u>
LIABILITIES:	
Due to other funds	\$ 766
Due to others	-
TOTAL LIABILITIES	<u>\$ 766</u>

The accompanying notes are an integral part of these financial statements.

ROCK RIVER TOWNSHIP, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

March 31, 2005

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Township have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant of these accounting policies established in GAAP and used by the Township are described below.

(1) REPORTING ENTITY

The Township's financial statements present the Township (the primary government). In evaluating the Township as a reporting entity, management has addressed all potential component units (traditionally separate reporting units) for which the Township may or may not be financially accountable and, as such, be includable within the Township's financial statements.

(2) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE FINANCIAL STATEMENTS:

The Township's basic financial statements include both government-wide (reporting the Township as a whole) and fund financial statements (reporting the Township's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Township's legislative, public works, public safety, community and economic development, recreation and culture and general services and administration are classified as governmental activities. The Township does not have any business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Township first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Township's functions and business-type activities. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenue.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The government-wide focus is more on the sustainability of the Township as an entity and the change in the Township's net assets resulting from the current year's activities. For the most part, the effect of interfund activities has been removed from these statements.

BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS:

The financial transactions of the Township are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Township:

Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Township:

- **General Fund** – The General Fund is the general operating fund and, accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.
- **Fire Fund** – The Fire Fund is used to account for financial resources to be used for the acquisition of capital expenditures relating to fire equipment (other than those financed by business-type/proprietary funds).

Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Township programs. The agency fund is custodial in nature and does not present results of operations or have a measurement focus.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

The Township reports the following major governmental funds:

- The **General Fund** is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The **Fire Fund** accounts for the purchase of capital assets of the Fire Department.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The Township's fiduciary funds are presented in the fiduciary fund financial statements by type (agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the Township, these funds are not incorporated into the government-wide statements.

(4) BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified basis of accounting, revenues are recorded when they are both measurable and available. "Available" means collectible within the current period or within 60 days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. However, debt service expenditures, compensated absences, and claims and judgments are recorded only when payment is due.

(5) FINANCIAL STATEMENT AMOUNTS

Budgets and Budgetary Accounting – The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Township Supervisor submits to the Township Board of Trustees a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Numerous opportunities exist for public comment during the budget process including at least two formal public hearings conducted at the Township Hall to obtain taxpayer comment.
- c. Pursuant to statute, prior to March 31 of each year the budget for the ensuing year is legally enacted through adoption of an Annual General Appropriations Act.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- d. The general statute governing Township budgetary activity is the State of Michigan Uniform Budgeting and Accounting Act. In addition to the provisions of the said Act and Board policy, general statements concerning the Board's intent regarding the administration of each year's budget are set out in the Annual General Appropriations Act. The Rock River Township Board of Trustees, through policy action, specifically directs the Supervisor not to authorize or participate in any expenditure of funds except as authorized by the Annual General Appropriations Act. The Board recognized that, in addition to possible Board sanctions for willful disregard of this policy, State statutes provide for civil liability for violations of the Annual General Appropriations Act.
- e. The Supervisor is authorized by means of Township policy to make certain transfers:
 - 1. The Supervisor receives a request for a budget transfer from the head of the department whose budget is to be affected. Such request must specify the necessity for the transfer, the account name and/or group(s) and amount to be affected within prescribed limitations. Transfers in excess of those limitations must be approved by the Board of Trustees.
 - 2. The following considerations must be reviewed in determination of transfer approvals:
 - a. Are the transfers consistent with the intent of the Board of Trustees in adopting the annual budget?
 - b. Will the transfer maintain the financial integrity of the Township?
 - c. Will the transfer provide a reasonable solution to the departmental operating problem?

Considering the above, the Supervisor will then decide whether or not the transfer should be made.

Supplemental appropriations are submitted to and reviewed by the Supervisor and submitted to the Township Board of Trustees for their review and approval. If approved, they are implemented by the Supervisor through a budget revision.
- f. The Rock River Township adopts its Annual Budget on a departmental basis. At each level of detail, governmental operations are summarized into expenditure account groups. Funding sources are also identified and adopted at each level of detail. Budgetary control exists at the most detailed level adopted by the Board of Trustees, i.e., department for analytical purposes. A detailed line item breakdown is prepared for each program. Accounting, i.e., classification control, resides at the line item detail level.
- g. Budgets for the General Funds were adopted in substance on an accrual basis which is consistent with generally accepted accounting principles. Budgeted amounts as reported in the Financial Report are as originally adopted and/or amended by the Township Board of Trustees.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Cash Equivalents and Investments - For the purposes of balance sheet classification and the statement of cash flows, cash and equivalents consist of demand deposits, cash in savings, money market accounts and short-term certificates of deposit with original maturity of three months or less. Investments are carried at fair value.

Capital Assets – Capital assets, which include property, plant, equipment and infrastructure assets (e.g. streets, bridges, and sidewalks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of five years.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their fair value on the date donated. Depreciation on all exhaustible capital assets is charged as an expense against their operations in government-wide statements and proprietary financial statements. Accumulated depreciation is reported on government-wide and proprietary statement of net assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Land improvements	15 years
Building, structures and improvements	40 years
Equipment	5 years
Water and Sewage System	20-50 years
Vehicles	5 years
Infrastructure	20-50 years

Long-Term Liabilities: In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities or proprietary fund type statement of net assets. In the fund financial statements, the face amount of debt issued is reported as other financing sources.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues, and expenditures. Actual results may differ from estimated amounts.

Property Taxes – Property taxes are levied as of December 1 of each year and are due by the last day of the following March. The taxes are collected by the local unit and periodically remitted to the third parties during the collection period.

Deferred Revenues – Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Interfund Activity – Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a result of the reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

NOTE B – DEPOSITS AND INVESTMENTS:

The composition of cash and investments as reported in the Statement of Net Assets is presented below:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and Investments:			
Unrestricted	\$194,236	\$766	\$195,002
TOTAL	<u>\$194,236</u>	<u>\$766</u>	<u>\$195,002</u>

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Composition of Balances:			
Cash in banks	\$151,242	\$766	\$ 152,008
Certificates of Deposit	42,994	-	42,994
TOTAL	<u>\$194,236</u>	<u>\$766</u>	<u>\$195,002</u>

Act 196, PA 1997, authorized the Township to deposit and invest in:

- Bonds, securities, and other direct obligations of the United States or its agencies.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of federally insured banks, insured savings and loan associations or credit unions insured by the National credit union administration that are eligible to be depository of surplus money belonging to the State under Section 5 or 6 of Act 105, PA 1855, as amended (MCL 21.145 and 21.146).
- Commercial paper rated at time of purchase within the two highest classifications established by not less than two standard rating services. Maturity cannot be more than 270 days after purchase.
- United States government or Federal agency obligation repurchase agreements.
- Banker's acceptance of United States banks.
- Mutual funds composed of investments which are legal for direct investments by local units of government in Michigan.
- Obligation of the State of Michigan or its political subdivisions which are rated investment grade.
- Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

NOTE B – DEPOSITS AND INVESTMENTS (Continued):

Deposits

At year-end, the carrying amount of the Township's deposits was \$195,002 and the bank balance was \$200,628. Of the bank balance, \$142,999 was covered by federal depository insurance according to FDIC regulations.

These deposits are in various financial institutions in varying amounts. All accounts are in the name of the Township and specific funds. They are recorded in Township records at cost. Interest is recorded when the deposits mature or is credited to the applicable account.

Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

NOTE C – INTERFUND BALANCES:

A summary of interfund receivable and payables are:

<u>Fund</u>	<u>Receivable</u>	<u>Fund</u>	<u>Payable</u>
PRIMARY GOVERNMENT:			
General	\$766	Fiduciary	\$766
TOTAL	<u>\$766</u>	TOTAL	<u>\$766</u>

NOTE D – CAPITAL ASSETS:

A summary of the capital assets of the Governmental Activities is as follows:

	Balance at April 1, 2004	Additions	Disposals	Balance at March 31, 2005
GOVERNMENTAL ACTIVITIES:				
Land	\$41,500	\$ -	\$ -	\$ 41,500
Total Capital Assets, not being depreciated	<u>41,500</u>	-	-	<u>41,500</u>
Buildings and improvements	114,700	-	-	114,700
Furniture and equipment	<u>259,214</u>	-	10,500	<u>248,714</u>
Total Capital Assets, being depreciated	<u>373,914</u>	-	10,500	<u>363,414</u>
Less Accumulated Depreciation:				
Buildings and improvements	(67,386)	(2,868)	-	(70,254)
Furniture and equipment	<u>(212,064)</u>	<u>(22,482)</u>	10,500	<u>(224,046)</u>
Total Accumulated Depreciation	<u>(279,450)</u>	<u>(25,350)</u>	10,500	<u>(294,300)</u>
Governmental Activities Capital Assets, Net	<u>\$ 135,964</u>	<u>\$(25,350)</u>	\$ -	<u>\$ 110,614</u>

Depreciation expenses for governmental activities was charged to the following functions and activities of the primary government:

General and Administrative	\$ 1,240
Public Safety	21,829
Recreation and Culture	2,281
Total	<u>\$25,350</u>

NOTE E – LONG-TERM DEBT:

The Notes originally issued for \$56,500 and dated July 2001 were paid off in current year.

Changes in long-term debt principal during the period ended March 31, 2005 are summarized as follows:

	<u>April 1, 2004</u>	<u>Additions</u>	<u>Subtractions</u>	<u>March 31, 2005</u>
Governmental Activities:				
Installment loan payable for the Purchase of a 1992 fire truck.	<u>\$11,775</u>	<u>\$ -</u>	<u>\$11,775</u>	<u>\$ -</u>
TOTAL PRIMARY GOVERNMENT LONG-TERM DEBT	<u>\$11,775</u>	<u>\$ -</u>	<u>\$11,775</u>	<u>\$ -</u>

NOTE F – PROPERTY TAXES:

The Local Governmental Unit property tax is levied on each December 1st on the taxable valuation of property (as defined by State statutes) located in the Local Governmental Unit as of the preceding December 31st.

Although the Local Governmental Unit 2004 ad valorem tax is levied and collectible on December 1, 2004, it is the Local Governmental Unit's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60) days.

The 2004 taxable valuation of the Local Governmental Unit totaled \$23,567,393, on which ad valorem taxes levied consisted of .8317 mills for the Local Governmental Unit operation purposes and 0.9721 mills for the Local Fire Department. These amounts are recognized in the General Fund and Fire Fund financial statements as revenue.

NOTE G – CONTINGENT LIABILITIES:

Risk Management - The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township has obtained commercial insurance to handle its risk of loss.

NOTE H – DEFERRED COMPENSATION PLAN:

The Township has a defined contribution retirement plan through Municipal Retirement Systems, Inc., covering all elected and appointed officials, whom are at least 18 years of age. The Township's contributions for all funds amounted to \$1,627 for the year ended March 31, 2005.

The Township's share of the premium due under the policy is computed as 2% of total wages. Each plan participant is 100% vested upon entering the plan.

NOTE I – BUDGET VIOLATIONS:

Public Act 621 of 1978, Section 18 (1), as amended, provides that a Township shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Township's actual expenditures and budgeted expenditures have been shown on an activity/program level.

NOTE I – BUDGET VIOLATIONS (Continued):

The following funds activity/program had excess expenditures over appropriations at March 31, 2005.

<u>Fund Activity/Program</u>	<u>Final Amended Budget</u>	<u>Actual Expenditure</u>	<u>Variance</u>
General:			
Township Hall	\$11,020	\$11,668	\$648
Planning & Zoning Commission	7,015	7,410	395

REQUIRED
SUPPLEMENTAL
FINANCIAL INFORMATION

Township of Rock River, Michigan

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Fiscal Year Ended March 31, 2005

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 30,800	\$ 41,212	\$ 39,361	\$ (1,851)
State sources	61,950	68,230	69,136	906
Charges for services	7,250	16,455	14,355	(2,100)
Interest and rents	6,000	6,464	7,107	643
Other revenues	1,000	3,938	3,939	1
TOTAL REVENUES	107,000	136,299	133,898	(2,401)
EXPENDITURES:				
Legislative	4,950	6,050	5,898	152
Elections	3,075	4,275	4,190	85
General services and administration	47,305	49,973	50,069	(96)
Public safety	22,830	23,917	23,125	792
Public works	3,500	5,799	5,690	109
Community and economic development	7,200	7,015	7,410	(395)
Recreation and culture	14,565	14,595	13,428	1,167
Other	26,575	26,051	25,725	326
TOTAL EXPENDITURES	130,000	137,675	135,535	2,140
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(23,000)	(1,376)	(1,637)	(261)
OTHER FINANCING SOURCES (USES):				
Transfers in (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
CHANGE IN FUND BALANCE	(23,000)	(1,376)	(1,637)	(261)
Fund balance, beginning of year	192,029	192,029	192,029	-
FUND BALANCE, END OF YEAR	\$ 169,029	\$ 190,653	\$ 190,392	\$ (261)

Township of Rock River, Michigan

FIRE FUND

BUDGETARY COMPARISON SCHEDULE

For the Fiscal Year Ended March 31, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final	GAAP	Final Budget
			Basis	Positive
				(Negative)
REVENUES:				
Taxes	\$ 29,076	\$ 28,304	\$ 23,025	\$ (5,279)
State sources	28,572	26,927	26,927	-
Charges for services	-	-	-	-
Interest and rents	180	177	227	50
Other revenues	-	-	-	-
TOTAL REVENUES	57,828	55,408	50,179	(5,229)
EXPENDITURES:				
Legislative	-	-	-	-
Elections	-	-	-	-
General services and administration	-	-	-	-
Public safety	47,571	45,738	39,860	5,878
Public works	-	-	-	-
Community and economic development	-	-	-	-
Recreation and culture	-	-	-	-
Other	-	-	-	-
TOTAL EXPENDITURES	47,571	45,738	39,860	5,878
EXCESS OF REVENUES OVER				
(UNDER) EXPENDITURES	10,257	9,670	10,319	649
OTHER FINANCING SOURCES (USES):				
Transfers in (out)	-	-	-	-
TOTAL OTHER FINANCING				
SOURCES (USES)	-	-	-	-
CHANGE IN FUND BALANCE	10,257	9,670	10,319	649
Fund balance, beginning of year	16,450	16,450	16,450	-
FUND BALANCE, END OF YEAR	\$ 26,707	\$ 26,120	\$ 26,769	\$ 649

Other Supplemental Information

Township of Rock River, Michigan

**MAJOR GOVERNMENTAL FUNDS
GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended March 31, 2005

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Taxes:			
Current levy	\$ 16,539	\$ 16,538	\$ (1)
Delinquent taxes	5,151	4,076	(1,075)
Commercial forest reserve	255	76	(179)
National forest reserve	2,750	2,739	(11)
Swamp tax	9,514	9,513	(1)
Tax collection fees	7,003	6,419	(584)
Total Taxes	<u>41,212</u>	<u>39,361</u>	<u>(1,851)</u>
State Sources:			
State revenue sharing	67,790	68,696	906
State liquor license	440	440	-
Total State Sources	<u>68,230</u>	<u>69,136</u>	<u>906</u>
Charges for Services:			
Ski hill	7,380	7,380	-
Library	-	6,475	6,475
Village shared expense	2,000	-	(2,000)
Zoning	500	500	-
Cemetery	6,575	-	(6,575)
Total Charges for Services	<u>16,455</u>	<u>14,355</u>	<u>(2,100)</u>
Interest and Rents:			
Interest	1,929	2,872	943
Rents	4,535	4,235	(300)
Total Interest and Rents	<u>6,464</u>	<u>7,107</u>	<u>643</u>
Other Revenues:			
Miscellaneous other	3,938	3,939	1
Total Other Revenues	<u>3,938</u>	<u>3,939</u>	<u>1</u>
TOTAL REVENUES	<u>136,299</u>	<u>133,898</u>	<u>(2,401)</u>

Township of Rock River, Michigan

**MAJOR GOVERNMENTAL FUNDS
GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended March 31, 2005

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
EXPENDITURES:			
LEGISLATIVE:			
Board of Commissioners:			
Personnel services	\$ 3,200	\$ 3,077	\$ 123
Supplies	425	419	6
Other services and charges	2,425	2,402	23
TOTAL LEGISLATIVE	<u>6,050</u>	<u>5,898</u>	<u>152</u>
ELECTIONS:			
Personnel services	3,075	3,073	2
Supplies	1,200	1,117	83
Other services and charges	-	-	-
TOTAL ELECTIONS	<u>4,275</u>	<u>4,190</u>	<u>85</u>
GENERAL SERVICES AND ADMINISTRATION:			
Supervisor:			
Personnel services	4,225	4,165	60
Supplies	-	-	-
Other services and charges	30	29	1
Total Supervisor	<u>4,255</u>	<u>4,194</u>	<u>61</u>
Assessor:			
Personnel services	10,200	10,200	-
Supplies	115	115	-
Other services and charges	5,178	5,177	1
Total Assessor	<u>15,493</u>	<u>15,492</u>	<u>1</u>
Clerk:			
Personnel services	4,225	4,165	60
Supplies	100	55	45
Other services and charges	-	-	-
Total Clerk	<u>4,325</u>	<u>4,220</u>	<u>105</u>

Township of Rock River, Michigan

**MAJOR GOVERNMENTAL FUNDS
GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended March 31, 2005

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
Board of Review:			
Personnel services	\$ 720	\$ 648	\$ 72
Supplies	-	-	-
Other services and charges	220	152	68
Total Board of Review	<u>940</u>	<u>800</u>	<u>140</u>
Treasurer:			
Personnel services	5,900	5,825	75
Supplies	25	-	25
Other services and charges	160	128	32
Total Treasurer	<u>6,085</u>	<u>5,953</u>	<u>132</u>
Township Hall and Grounds:			
Personnel services	1,800	1,850	(50)
Supplies	258	258	-
Other services and charges	8,962	9,560	(598)
Total Township Hall and Grounds	<u>11,020</u>	<u>11,668</u>	<u>(648)</u>
Cemetery:			
Personnel services	2,520	2,485	35
Supplies	350	316	34
Other services and charges	4,985	4,941	44
Total Cemetery	<u>7,855</u>	<u>7,742</u>	<u>113</u>
TOTAL GENERAL SERVICES AND ADMINISTRATION	<u>49,973</u>	<u>50,069</u>	<u>(96)</u>
PUBLIC SAFETY:			
Police Department:			
Personnel services	450	440	10
Supplies	-	-	-
Other services and charges	-	-	-
Total Police Department	<u>450</u>	<u>440</u>	<u>10</u>

Township of Rock River, Michigan

**MAJOR GOVERNMENTAL FUNDS
GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended March 31, 2005

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
Fire Department:			
Personnel services	\$ 2,280	\$ 1,986	\$ 294
Supplies	1,205	1,205	-
Other services and charges	19,982	19,494	488
Total Fire Department	<u>23,467</u>	<u>22,685</u>	<u>782</u>
TOTAL PUBLIC SAFETY	<u>23,917</u>	<u>23,125</u>	<u>792</u>
PUBLIC WORKS:			
Streets:			
Other services and charges	2,250	2,203	47
Total Streets	<u>2,250</u>	<u>2,203</u>	<u>47</u>
Streetlights:			
Other services and charges	1,000	938	62
Total Refuse Collection	<u>1,000</u>	<u>938</u>	<u>62</u>
Refuse Collection:			
Other services and charges	2,549	2,549	-
Total Refuse Collection	<u>2,549</u>	<u>2,549</u>	<u>-</u>
TOTAL PUBLIC WORKS	<u>5,799</u>	<u>5,690</u>	<u>109</u>
COMMUNITY AND ECONOMIC DEVELOPMENT:			
Planning and Zoning Commission:			
Personnel services	6,450	6,917	(467)
Supplies	250	246	4
Other services and charges	315	247	68
Total Planning and Zoning Commission	<u>7,015</u>	<u>7,410</u>	<u>(395)</u>
TOTAL COMMUNITY AND ECONOMIC DEVELOPMENT	<u>7,015</u>	<u>7,410</u>	<u>(395)</u>

Township of Rock River, Michigan

**MAJOR GOVERNMENTAL FUNDS
GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended March 31, 2005

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
RECREATION AND CULTURE:			
Parks and Recreation:			
Personnel services	\$ -	\$ -	\$ -
Supplies	81	81	-
Other services and charges	2,749	2,748	1
Total Parks and Recreation	<u>2,830</u>	<u>2,829</u>	<u>1</u>
Ski Hill:			
Personnel services	-	784	(784)
Supplies	800	-	800
Other services and charges	5,315	5,183	132
Total Ski Hill	<u>6,115</u>	<u>5,967</u>	<u>148</u>
Library:			
Personnel services	3,400	2,642	758
Supplies	50	2	48
Other services and charges	2,200	1,988	212
Total Library	<u>5,650</u>	<u>4,632</u>	<u>1,018</u>
TOTAL RECREATION AND CULTURE	<u>14,595</u>	<u>13,428</u>	<u>1,167</u>
OTHER:			
Fringe Benefits:			
Social security	1,750	1,631	119
Retirement	1,650	1,627	23
Total Fringe Benefits	<u>3,400</u>	<u>3,258</u>	<u>142</u>
Insurance and bonds	18,951	18,951	-
Miscellaneous	3,700	3,516	184
TOTAL OTHER	<u>26,051</u>	<u>25,725</u>	<u>326</u>
TOTAL EXPENDITURES	<u>137,675</u>	<u>135,535</u>	<u>2,140</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,376)</u>	<u>(1,637)</u>	<u>(261)</u>

Township of Rock River, Michigan

**MAJOR GOVERNMENTAL FUNDS
GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended March 31, 2005

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
OTHER FINANCING SOURCES (USES):			
Loan proceeds	\$ -	\$ -	\$ -
Transfers (Out):			
Fire Fund	-	-	-
Total Operating Transfers (Out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
CHANGE IN FUND BALANCE	(1,376)	(1,637)	(261)
Fund balance, beginning of year	<u>192,029</u>	<u>192,029</u>	-
FUND BALANCE, END OF YEAR	<u><u>\$ 190,653</u></u>	<u><u>\$ 190,392</u></u>	<u><u>\$ (261)</u></u>

Township of Rock River, Michigan

**MAJOR GOVERNMENTAL FUNDS
FIRE FUND**

**SCHEDULE OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE**

For the Fiscal Year Ended March 31, 2005

	Final Amended Budget	Actual GAAP Basis	Variance With Final Budget Positive (Negative)
REVENUES:			
Property Taxes			
Current Property Taxes	\$ 25,164	\$ 19,331	\$ (5,833)
Delinquent Property Taxes	3,000	3,554	554
Commercial Forest Reserve	140	140	-
Total Property Taxes	<u>28,304</u>	<u>23,025</u>	<u>(5,279)</u>
State Sources	26,927	26,927	-
Interest	177	227	50
TOTAL REVENUES	<u>55,408</u>	<u>50,179</u>	<u>(5,229)</u>
EXPENDITURES:			
Capital Outlay			
Miscellaneous Expenses	220	679	(459)
Capital Outlay	29,918	26,927	2,991
Total Capital Outlay	<u>30,138</u>	<u>27,606</u>	<u>2,532</u>
Debt Service			
Principal	15,000	11,775	3,225
Interest	600	479	121
Total Debt Service	<u>15,600</u>	<u>12,254</u>	<u>3,346</u>
TOTAL EXPENDITURES	<u>45,738</u>	<u>39,860</u>	<u>5,878</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>9,670</u>	<u>10,319</u>	<u>(11,107)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
Transfers (out)	-	-	-
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>	<u>-</u>
CHANGES IN FUND BALANCE	<u>9,670</u>	<u>10,319</u>	<u>(11,107)</u>
Fund balance, beginning of year	16,450	16,450	-
FUND BALANCE, END OF YEAR	<u>\$ 26,120</u>	<u>\$ 26,769</u>	<u>\$ (11,107)</u>

Township of Rock River, Michigan

FIDUCIARY FUNDS

COMBINING STATEMENT OF NET ASSETS

March 31, 2005

	<u>Tax Collection Fund</u>	<u>Total</u>
ASSETS		
Cash and investments	\$ 766	\$ 766
Due from other funds	-	-
TOTAL ASSETS	<u>\$ 766</u>	<u>\$ 766</u>
LIABILITIES		
Due to other funds	\$ 766	\$ 766
Due to others	-	-
TOTAL LIABILITIES	<u>\$ 766</u>	<u>\$ 766</u>

COMPLIANCE SUPPLEMENTS



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN
ESCANABA
IRON MOUNTAIN
KINROSS
MARQUETTE
WISCONSIN
GREEN BAY
MILWAUKEE

REPORT ON COMPLIANCE AND OTHER MATTERS AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Supervisor and Township Board of Trustees
Rock River Township, Michigan
P.O. Box 195
Chatham, Michigan 49876

We have audited the governmental activities, each major fund, and the aggregate remaining fund information, which collectively comprise the basic financial statements of the Rock River Township, Michigan as of and for the year ended March 31, 2005, and have issued our report thereon dated May 25, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. These instances are described in a separate letter to Management dated May 25, 2005.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Rock River Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, and Township Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

May 25, 2005



ANDERSON, TACKMAN & COMPANY, P.L.C.

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*Township of Rock River, Michigan
Report to Management Letter
For the Year Ended March 31, 2005*

To the Honorable Supervisor and Members of
The Township Board
Township of Rock River, Michigan
Chatham, MI 49816

In planning and performing our audit of the financial statements of the Township of Rock River, Michigan for the year ended March 31, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgement, could affect the Township of Rock River, Michigan's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

Instances of Non-Compliance

Uniform Budgeting and Accounting Act (P.A. 621)

The State of Michigan has enacted Public Act 621, the Uniform Budgeting and Accounting Act, to provide for a system of uniform procedures for the preparation and execution of budgets in local units of government. The purpose of P.A. 621 is to require that all local units of government adopt balanced budgets, to establish responsibilities and define the procedure for the preparation, adoption and maintenance of the budget, and to require certain information for the budget process, including data for capital construction projects. The major provisions of P.A. 621 are as follows:

1. Local Units of government must adopt a budget.
2. The budget, including accrued deficits and available unappropriated surpluses, must be balanced.
3. The budget must be amended when necessary.
4. Debt shall not be entered into unless the debt is permitted by law.
5. Expenditures shall not be incurred in excess of the amount appropriated.
6. Expenditures shall not be made unless authorized in the budget.
7. Violations of the act, disclosed in an audit of the financial records, in the absence of reasonable procedures, shall be filed with the State Treasurer and reported to the Attorney General.

To the Honorable Supervisor and Members of
The Township Board
Township of Rock River, Michigan

The Township was found to be in violation of the legal and contractual provisions of the Uniform Budgeting and Accounting Act (Public Act 621) in certain individual funds as enumerated upon in the Footnotes of the financial statements.

* * * * *

This report is intended solely for the information and use of the Township of Rock River, Michigan's Board, management, and other legislative or regulatory body and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate and would like to thank the Township of Rock River, Michigan's staff for the cooperation and courtesy extended to us during our audit. We would be pleased to discuss any comments or answer any questions regarding our audit with you at your convenience.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

May 25, 2005



ANDERSON, TACKMAN & COMPANY, P.L.C.

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May 25, 2005

To the Honorable Supervisor and Township Board
Rock River Township, Michigan
P.O. Box 195
Chatham, MI 49816

We have audited the financial statements of the Township of Rock River, Michigan for the year ended March 31, 2005, and have issued our report thereon dated May 25, 2005. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the Township of Rock River, Michigan. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management is responsible for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of the accounting policies and their application. The significant accounting policies used by the Township of Rock River, Michigan are described in Footnotes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the Township of Rock River, Michigan during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

To the Honorable Supervisor and Township Board
Rock River Township, Michigan

Significant Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgement, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Township of Rock River, Michigan's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Township of Rock River, Michigan, either individually or in the aggregate, indicate matters that could have a significant effect on the Township of Rock River, Michigan's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principal to the governmental unit's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township of Rock River, Michigan's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in the performance of our audit.

Conclusion

This information is intended solely for the use of the Township of Rock River, Michigan Board and management and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants